Mobil Oil Corporation annual report 1966

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CORPORATION FILE

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George F. James
Paul V. Keyser, Jr.
Grayson L. Kirk
Lewis A. Lapham
Charles G. Mortimer
Albert L. Nickerson
Herman J. Schmidt
William P. Tavoulareas
Rawleigh Warner, Jr.
Herbert Willetts
Albert L. Williams

OFFICERS

Albert L. Nickerson
Chairman of the Board of Directors;
Chairman of the Executive Committee

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President;
Vice Chairman of the Executive Committee

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Senior Vice President

John D. Fennebresque
Vice President

Christian A. Herter, Jr.
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Vice President

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Executive Vice President

Paul Wollstadt
Senior Vice President

Edward P. Fischer
Treasurer

John J. Scott
General Counsel

Arthur M. Sherwood
Secretary

William S. Swayze
Controller

TRANSFER AGENTS

The Chase Manhattan Bank, National Association
1 Chase Manhattan Plaza, New York, New York 10015

The Bank of California, National Association
400 California Street, San Francisco, California 94120

Continental Illinois National Bank and Trust Company of Chicago
231 South La Salle Street, Chicago, Illinois 60690

Canada Permanent Trust Company
253 Bay Street, Toronto 1, Ontario, Canada

REGISTRARS

Bankers Trust Company
New York, New York

Wells Fargo Bank
San Francisco, California

La Salle National Bank
Chicago, Illinois

Montreal Trust Company
Toronto, Ontario, Canada

AUDITORS

Arthur Young & Company
New York, New York

ANNUAL MEETING

The 1967 Annual Meeting of Shareholders
will be held on Tuesday, May 16,
at 10 a.m. in the Grand Ballroom
of the Beverly Hilton Hotel,
at the intersection
of Wilshire and Santa Monica Boulevards,
Beverly Hills, Calif.

Mobil Oil Corporation

annual report 1966

the year in brief

	1966	1965
Financial		
Revenues	$5,886,515,000	$5,517,426,000
Net income	$356,112,000	$320,116,000
Per share	$3.51	$3.15
Cash dividends	$167,346,000	$154,853,000
Per share	$1.65	$1.52½
Shareholders' equity *(end of year)*	$3,660,984,000	$3,483,510,000
Per share	$36.12	$34.30
Capital and exploration outlays	$682,214,000	$557,345,000
Total assets *(end of year)*	$5,511,511,000	$5,212,380,000
Shareholders and Employees *(end of year)*		
Number of shareholders	210,300	206,900
Number of shares outstanding	101,358,000	101,548,000
Number of employees	80,900	80,600
Operating† *(barrels daily, except natural gas)*		
Gross crude oil production	1,318,000	1,165,000
Natural gas production *(thousands of cubic feet daily)*	2,181,000	1,993,000
Refinery crude runs	1,540,000	1,429,000
Petroleum product sales	1,579,000	1,503,000

Financial data have been adjusted to reflect the two-for-one stock split in 1966.

†Includes interest in non-consolidated companies.

See page 21 for 5-year Financial and Operating Data. The Financial Review begins on page 22.

An important part of the domestic and foreign operations covered by this report is carried on by operating divisions, subsidiaries, and affiliates conducting their respective businesses under the direction and control of their own managements. For convenience, this report uses such terms as "Mobil Oil," "Mobil," "corporation," "company," "we," and "our" sometimes for the parent corporation and all such divisions, subsidiaries, and affiliates collectively, and sometimes for one or more of them.

Mobil Oil Corporation, 150 East 42nd Street, New York, N. Y. 10017

to our shareholders

Mobil Oil Corporation set records in earnings, revenues, dividend payments, and operating volumes in 1966.

Net income was $356.1 million, compared with $320.1 million in 1965. Earnings per share, as adjusted to reflect the two-for-one stock split approved by shareholders last May, rose to $3.51 from $3.15 a year earlier.

Revenues, continuing their uninterrupted rise over the past eight years, amounted to $5.9 billion. The rate of return on shareholders' average equity moved upward for the eighth successive year, reaching 10% for 1966.

Dividends paid in 1966 totaled $167.3 million, more than in any previous year. Cash dividends per share rose to $1.65, an increase of 12½ cents over 1965 dividends, on an adjusted basis. The directors increased the quarterly dividend twice in 1966. The latest increase—the fifth in the past four years—brought the quarterly dividend to 45 cents a share.

Capital and exploration expenditures of $682.2 million were a new high for Mobil.

Earnings improved for two principal reasons: A marked gain in our crude oil production in North America and the Eastern Hemisphere and a rise in the level of prices we received for petroleum products in the United States.

Here are the highlights of our 1966 operations:

☐ In exploration, we added substantially to our crude oil reserves, notably in Canada and the Middle East.

☐ In producing, our gross crude oil output gained 10.4% in the United States, 16.7% in Canada, and 17.6% in the Eastern Hemisphere.

☐ In transportation, we took steps to cut operating costs by contracting for four 200,000-ton tankers and by investing in high-capacity pipelines and terminals.

☐ In refining, our worldwide crude runs increased 7.8%. Major modernizations moved ahead at two of our largest refineries—those in Torrance, Calif., and Beaumont, Tex.

☐ In marketing, our worldwide petroleum product sales rose 5.1%. Mobil's "We want you to live" advertising campaign was widely acclaimed.

☐ In chemicals, our sales reached record levels. Important new manufacturing facilities began operating.

We expect that Mobil's long-range European marketing prospects will be enhanced as the result of an agreement concluded March 1, 1967, between our wholly owned affiliate in West Germany and Gelsenkirchener Bergwerks A.G. Under the agreement, Mobil Oil A.G. in Deutschland acquired an interest of about 28% in Aral A.G., West Germany's largest gasoline marketer. The agreement replaces previous arrangements under which a smaller interest in Aral was held in trust for Mobil. Aral has some 10,500 service stations in Germany and 2,500 in neighboring countries.

Also, Gelsenkirchener acquired from Mobil Oil Libya Ltd., our wholly owned affiliate, an additional 10% interest in the Mobil-Gelsenkirchener concessions in Libya. Mobil's interest in these concessions thus became 65%.

Most forecasts of U.S. demand for petroleum products in 1967, including our own, indicate a growth rate of about 3%, somewhat slower than 1966's growth of about 5%. Demand growth overseas is expected to range from 8 to 10%. The worldwide economic outlook reflects uncertainties arising from the Viet Nam conflict, as well as from inflationary rises in wage and materials costs. Even so, considering the strong growth trends in a number of areas of our business, we believe 1967 will be another year of earnings growth for Mobil.

As 1967 began, complex and continuing problems affected or threatened to affect our business. Some of our main concerns were these:

☐ Petroleum products prices continued at depressed levels in many parts of the world, despite the inflationary pressures noted above.

☐ Mobil again faced the need to meet the capital requirements of its overseas operations while cooperating with the

U.S. government's voluntary balance-of-payments program.

☐ Production and transportation of crude oil from the fields of northern Iraq to the Mediterranean was interrupted in early December when the Syrian government unilaterally shut down the Iraq Petroleum Company, Ltd. pipelines leading to its Syrian and Lebanese terminals. Syria's action occurred during a dispute over transit payments with IPC, owner of the oil fields and transportation facilities. Mobil has an 11⅞% interest in IPC. While Mobil was able to replace this oil with crude from other sources after making necessary transportation adjustments, the halt in production and shipments deprived Iraq, Syria, and Lebanon of a major source of revenue. A settlement reached at the beginning of March, as this is written, was expected to permit early resumption of the flow of oil.

☐ In 1966, as in 1965, there was a sharp increase in public concern over air and water pollution. Mobil shares this concern. We have spent a good deal of money over a number of years to control the emission of contaminants from our facilities. We plan to step up expenditures in the years to come—some $36 million over the next five years for pollution control at our U.S. oil and chemical installations alone.

But progress in pollution control depends also on how rapidly man learns to identify and understand the effects of contaminants. Pollution control is a many-faceted scientific problem that defies oversimplified solutions. In fact, true progress toward cleaner air and water will be delayed if time and money are wasted on "crash" solutions based on inadequate scientific evidence.

Finding a solution to one aspect of the problem—pollution from motor vehicles—will be exceedingly difficult, in view of the nearly 100 million vehicles just in the United States. Yet, provided the approach is both orderly and aggressive, a solution can and will be found. The question is how. Such optional power sources as electric batteries, fuel cells, and gas turbines may become available in the future. However, it is our opinion that these alternatives will exact too high a price in terms of cost, consumer inconvenience, and economic dislocation, as well as in the time required to perfect them.

We believe that a cheaper, faster, and better solution will come through improving gasoline and the gasoline engine to make them virtually smogfree. To accomplish this, a systems approach will have to be used; that is, performing research and development which treats the engine and the fuel as inseparable parts of the same problem. We are actively pursuing this approach.

Arthur V. Danner and Fred H. Moore retired as directors at the end of 1966. Mr. Danner, a senior vice president, had served on the board since 1959; Mr. Moore, an executive vice president, had served since 1961. William P. Tavoulareas, already a director and a senior vice president, succeeded Mr. Moore as president of the North American division and was elected an executive vice president of the corporation.

Shareholders at the annual meeting last May approved changing our name to Mobil Oil Corporation. We appreciate shareholders' interest in the corporation and particularly welcome their purchases of Mobil products. We also acknowledge with thanks the dedicated efforts of the more than 80,000 Mobil men and women who helped make 1966 another year of accomplishment for our worldwide enterprise.

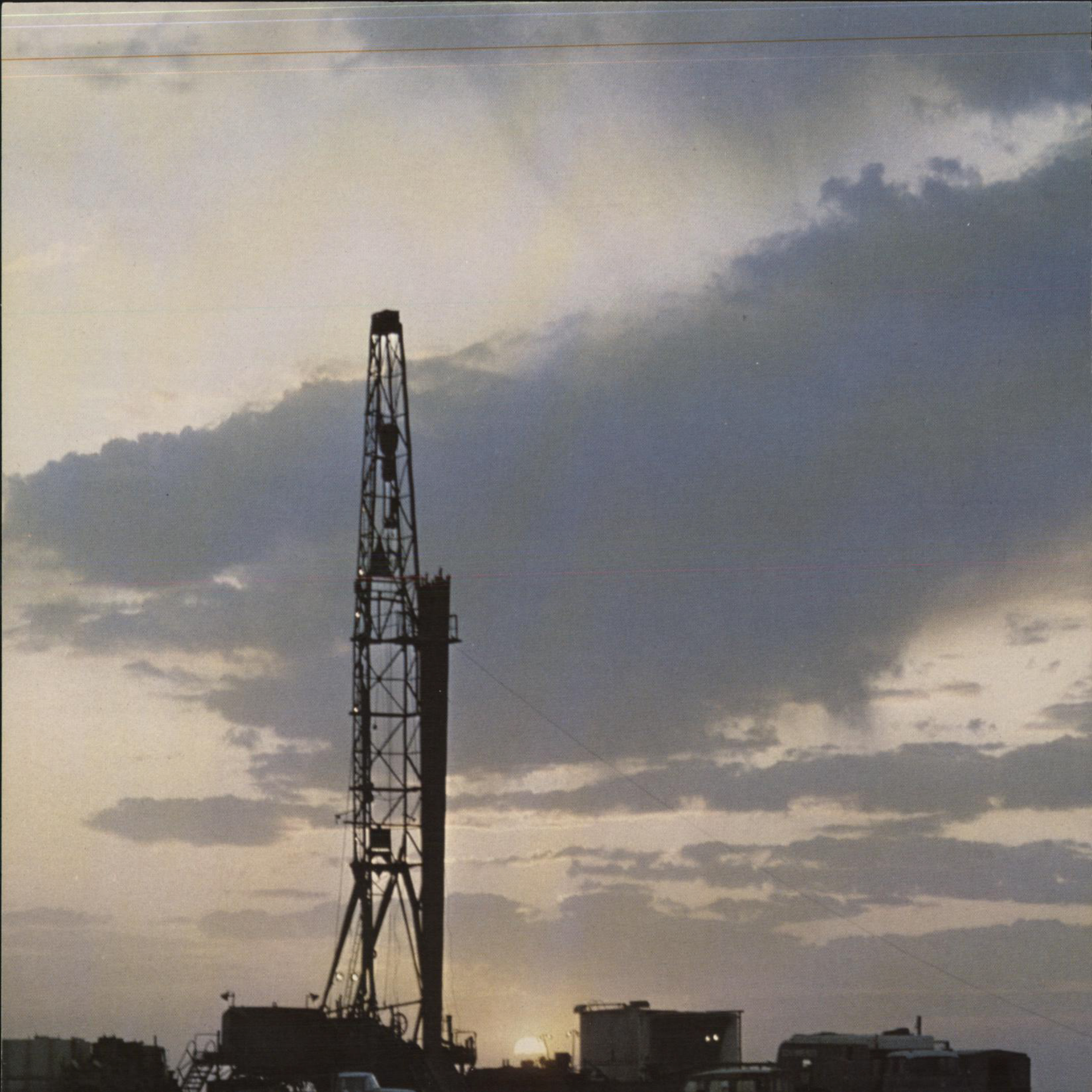
For the Board of Directors

Albert L. Nickerson
CHAIRMAN

Rawleigh Warner Jr.
PRESIDENT

March 3, 1967

This group of young Mobil employees—potential managers of the 1970's and 1980's—is discussing possible improvements in our recruiting and career development policies. Mobil's management is well aware that our future performance depends greatly on the quality of the men and women who will manage our worldwide activities in the years to come. In 1966, the Executive Committee of the Board of Directors placed greater emphasis than ever before on identifying and training potential leaders early in their careers. Career development is a basic responsibility of every Mobil manager. Our program includes informal on-the-job training, periodic evaluations of job performance and forecasts of the individual's potential, rotational assignments, and formal training courses. The goal is to help each Mobil employee, wherever in the world he may work, reach his maximum potential—for the mutual benefit of the corporation's employees, shareholders, and customers.



exploration and producing

Mobil achieved important gains in reserves and production of crude oil during 1966–in North America as well as in the Eastern Hemisphere. Production of natural gas also increased significantly.

These were the highlights of Mobil's year:

☐ Reserves of crude oil reached record levels, both in North America and overseas.

☐ Worldwide gross crude oil production averaged 1,318,000 barrels daily, an increase of 13.1% over 1965. North American gross crude oil production increased by 11.6%.

☐ At Rainbow Lake, in northwest Alberta, Canada, completion of 10 more discovery wells indicated that this may turn out to be the most important new oil area for Mobil in North America in recent years.

☐ In Libya, Mobil's production rose substantially over the previous year's level, as oil began moving to market from the large Amal field.

☐ In Nigeria, several more successful exploratory and appraisal wells were drilled in offshore waters.

☐ Natural gas production–chiefly in the United States–averaged 2.2 billion cubic feet daily, an increase of 9.4% over 1965. In West Germany, natural gas production continued to rise rapidly. Sales of natural gas liquids–almost entirely in the United States–averaged 49,000 barrels daily, an increase of 6.5% over 1965.

☐ Mobil installed the largest and fastest computer ever devoted exclusively to processing data for oil exploration.

Discoveries in North America

The development of major discoveries in Canada and Alaska gained momentum during 1966.

In Canada, a total of 33 oil wells were completed in 1965 and 1966 on Rainbow Lake acreage in which Mobil has a 50% interest. These wells are in 14 separate pools, varying in area from about one to seven square miles; most have producing sections several hundred feet thick.

The initial Rainbow Lake discovery well–completed in 1965 on 50%-Mobil acreage–encountered oil and gas zones with a net thickness of 643 feet in the prolific Keg River reef formation. The well also penetrated a shallower oil zone of 46 feet and two gas zones of 20 feet each.

Mobil and its partners increased their land holdings at Rainbow Lake by successfully bidding during the year on 17,440 acres, bringing their total holdings to more than 154,000 acres. In addition, Mobil has a 100% interest in another 77,600 nearby acres on which two oil wells have been completed.

Rainbow Lake crude began flowing to market in July. By the year's end, Mobil's share of production had risen to more than 8,000 barrels daily, with continued gains expected in 1967 and in years to come.

In Alaska, construction of a large permanent platform was completed late in the year in the waters of Cook Inlet, where we made an important discovery in 1965. As many as 48 wells can be drilled through the four massive legs of this platform. Drilling on the first well began in December. Production from Granite Point, as this oil field is known, is scheduled to begin in the spring of 1967. Mobil holds a 75% interest in 5,089 acres including the discovery site, and a 50% interest in an adjoining 3,520 acres.

Development Drilling in California

In California, drilling began from a new 20-well platform in the waters off Santa Barbara, on acreage in which Mobil has a 50% interest. Oil had been discovered on this acreage in 1964, and the field was extended by a stepout well in 1965. Meanwhile, in the Venice area of the Los Angeles basin, we discovered oil on 100%-Mobil offshore acreage and completed six producing wells.

In the large East Wilmington oil field, being developed by a group comprising Mobil and four other companies, drilling and producing operations moved ahead on the first of four man-made islands off Long Beach. At several other oil fields in California, application of thermal recovery methods continued to boost Mobil's production by significant amounts.

At federal and state lease sales during 1966, the corporation obtained about 55,000 acres of prospective lands in offshore Louisiana and Texas.

Mobil made significant gas discoveries in two states during the year. The first was in Limestone County, Tex., about 75 miles southeast of Dallas. The second was in Cameron Parish, southwestern Louisiana, approximately 12 miles inland from the Gulf of Mexico.

Expansion of Natural Gas Plants

Natural gas plants in the Pegasus and Coyanosa fields in West Texas, and in the Carson Creek and East Calgary fields in Alberta, were expanded during the year. The expansions enable us to produce an additional 8,300 barrels a day of natural gas liquids. Work also began at East Calgary on expansion of facilities that will increase Mobil's share of the plant's sulfur production to 500 tons a day from its previous level of 200 tons a day. This will enable Mobil to help meet the rapidly growing demand for sulfur, which is used in fertilizers and other chemical products.

Substantial investments were made in North America to improve the recovery of oil from reservoirs by injecting water or gas, as well as by thermal methods. We also continued our long-standing program of investments in salt-water disposal projects to improve control of water pollution.

Among our exploration and producing activities overseas, the outstanding event was the sharp rise in output of crude

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Drilling rig operates around the clock in Libya, where a substantial increase in output contributed to the corporation's record crude oil production.

Mobil

Gross Production of Crude Oil by Major Areas

(thousands of barrels daily)	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
U.S. and Canada	365	327	308	295	287	272	262	264	264	297
Abu Dhabi	30	23	15	—	—	—	—	—	—	—
Colombia	13	14	17	18	19	22	23	20	16	13
Indonesia	29	29	28	35	36	36	40	42	39	33
Iran	141	127	116	101	91	82	73	65	57	50
Iraq	164	155	148	137	119	118	114	101	86	53
Libya	128	76	34	2	—	—	—	—	—	—
Qatar	23	23	22	23	22	21	21	20	21	17
Saudi Arabia	239	202	172	162	152	139	125	109	101	99
Venezuela	140	144	140	131	117	113	117	107	122	113
West Germany	23	24	23	20	20	19	18	16	12	10
Other	23	21	14	11	9	9	4	5	5	4
Total	1,318	1,165	1,037	935	872	831	797	749	723	689

oil in Libya, where we operate in association with Gelsenkirchener Bergwerks A.G. Production of crude oil from the Amal field got under way near the end of February, 1966. Later in the year, we discovered oil with a wildcat well eight miles north of the previous limits of Amal. Further drilling confirmed this as an extension of the Amal field, bringing its total area to about 280 square miles.

Mobil's 75% share of production from Amal and three other Mobil-Gelsenkirchener fields in Libya amounted to an average of 128,000 barrels a day for the year, reaching 150,000 barrels a day by the end of 1966.

Offshore Exploration Overseas

In the waters off Nigeria where Mobil had previously made important discoveries, one of the world's largest offshore drilling platforms began drilling additional exploratory wells in September. This platform, the Ocean Master II, is capable of drilling in water 300 feet deep. Together with another drilling rig already in Nigerian waters, it will help us test Mobil's 100%-interest concessions covering more than 1,250,000 acres off the southeastern coast.

In the North Sea, a well was drilled on Mobil acreage in a joint venture with another company, but was abandoned as a dry hole. Mobil has several promising prospects still to be drilled on its North Sea acreage.

In West Germany, natural gas production increased by 32%, and reached an average of 68 million cubic feet daily.

Mobil's first twin-rig platform stretches to the height of a 20-story building above tide-swept ice in Cook Inlet, Alaska, an important new oil source.

In Turkey, Mobil's production of oil continued to rise moderately, reaching an average of 9,000 barrels daily.

In the jungles of eastern Peru, preparations got under way for a drilling program by a group comprising Mobil and six other companies. Three wells are to be drilled in the Aguaytia area, where we discovered gas six years ago.

In Ethiopia, Mobil, in partnership with another company, continued exploratory work along the Red Sea coast. The area being explored totals 10,500 square miles.

On the west coast of Central America, a group of companies including Mobil is in the process of obtaining exploration acreage offshore from Guatemala.

Middle East Production

During the year, production increased by 12.6% in the Middle East countries—Abu Dhabi, Iran, Iraq, Qatar, and Saudi Arabia—where Mobil has interests. The company also has a long-term purchase contract in Kuwait. The Arabian American Oil Company, in which Mobil has a 10% interest, began production of crude oil from a new offshore oil field, Abu Safah. This is Aramco's third offshore oil field.

We took a significant step during the year to increase the effectiveness of our worldwide exploration efforts. A large and extremely fast computer, installed in the company's Geophysical Services Center in Dallas, greatly expands Mobil's capacity to process and interpret seismic data gathered by exploration teams around the world. It also enables Mobil scientists to experiment with new computer approaches to problems involved in the search for petroleum reserves.

transportation

Mobil made further advances during 1966 to lower the cost and increase the efficiency of transporting crude oil and products. In marine transportation, the trend to giant tankers accelerated. In pipelines, the trend was to larger, more automated systems.

Negotiations to obtain four 200,000-deadweight-ton tankers were concluded during the year. One of the vessels will be owned by the company; the remainder will be under long-term charter. Three of the four vessels are scheduled to join the Mobil fleet in 1969.

Because mammoth tankers can currently be accommodated at only a few of the world's ports, we will continue to need smaller, more flexible vessels as well. As a result, we entered five-year chartering agreements for three 80,000-ton "Suez Canal-size" tankers, to complement three owned 80's.

Bulbous bows were added to nine vessels, permitting them to attain increased speed over similarly powered vessels of conventional design. Wider use of Mobil Chemical's low-friction coatings and high-durability paints also helped to increase ship speed and reduce maintenance costs.

In the domestic inland fleet, several unusual vessels were added or planned during the year. Among these was a 20,000-barrel products barge that was enlarged and motorized. This highly mechanized vessel is more versatile and economical than a comparable tug-barge combination. An order was placed for a 5,000-horsepower, automated towboat to replace a 1,500-horsepower boat now in service on the Mississippi and Illinois Rivers.

At the close of 1966, Mobil and its principal marine affiliates owned 38 deep-sea tankers aggregating 1.7 million deadweight tons. An additional 48 vessels, totaling 1.6 million tons, were under charter for periods exceeding a year.

Drive to Lower Costs

Increasing efficiency of operation, improved technology, and favorable charter rates during the year helped the fleet in its continuing drive to lower transportation costs.

Increased tanker size places heavy demands on marine terminals. Accordingly, terminal improvements were undertaken at Mobil refineries in Coryton, Naples, and Paulsboro. A terminal was constructed to serve our new Singapore refinery. In Libya, a third loading berth was built at the Mobil-operated terminal on the Mediterranean at Ras Lanuf, and storage capacity was doubled to 3,000,000 barrels. These improvements reflect our effort to move tankers in and out of port rapidly and efficiently, and lessen the need to shut in oilfield production when bad weather closes the port.

Construction began on a marine terminal at Drift River in Cook Inlet, Alaska, to handle crude oil from our recent offshore discovery there. The new terminal will be connected to production facilities by a 41-mile pipeline. Mobil, the operator of the system, owns a 20% interest in it.

Rainbow Pipeline Completed

In Alberta, Canada, work was completed on Rainbow Pipeline. The line, with a potential capacity of 250,000 barrels a day, connects the Rainbow field with the Nipisi field, 235 miles to the southeast. Construction has begun on extensions at both ends, reaching 58 miles north to the oil field at Zama Lake and 183 miles south to Edmonton. Mobil will operate the entire system and holds a one-third interest in it.

Mobil Pipe Line Company, our U. S. common carrier affiliate, expanded and modernized several wholly owned crude oil and product lines. The capacity of a 515-mile product line from the Augusta, Kan., refinery to Sioux Falls, S. D., was increased by 40%. In California, work started on increasing the capacities of the San Ardo and San Joaquin crude lines.

A large portion of Mobil's pipeline system in Texas was placed under computer control.

Work began on a 180-mile gas liquids pipeline from Oklahoma to an existing line at Corsicana, Tex. With a capacity of 8,000 barrels a day, the new line will help supply the expanded gas liquids facilities at Beaumont, Tex.

We built several pipelines to bring products directly from Mobil refineries to key customer facilities. Among these were jet fuel lines from Torrance, Calif., to Los Angeles International Airport, and from Augusta, Kan., to Mid-Continent International Airport at Kansas City, Mo.

Construction began on a $30 million expansion of the 3,000-mile Colonial Pipeline, which Mobil is using to transport products from Beaumont to the eastern United States. When work is completed in 1967, the capacity of the line will be more than 1,000,000 barrels per day. Mobil owns a 10.5% interest in Colonial.

Amal Pipeline Capacity to Rise

The Amal Pipeline, which connects the Amal oil field in Libya with the terminal at Ras Lanuf, was completed during the year. Its initial capacity of 150,000 barrels per day will be increased to 250,000 during 1967. Mobil operates the system and holds the largest interest in it.

The 287-mile Transalpine Pipeline, which will transport crude oil from the Adriatic port of Trieste to southern Germany, is scheduled for completion by mid-year. The 40-inch line will have an initial daily capacity of 500,000 barrels, which can eventually be doubled. Mobil has an 11% interest in the Transalpine Pipeline.

Domestic overland transportation underwent important changes. A computer control program now helps us improve utilization of our 3,400 railway tank cars, which traveled 45,000,000 miles and carried 500,000,000 gallons of liquid chemicals, specialty products, and lubricants in 1966.

Transalpine Pipeline, in which Mobil has a part interest, will transport crude oil 287 miles from the Adriatic to southern Germany.

refining

Mobil's continuing drive to increase efficiency and cut costs in U.S. refinery operations gained new impetus in 1966.

In Texas, construction began on the modernization of our 225,000-barrel-a-day Beaumont refinery. In California, the largest construction project in our history neared completion with the installation of nine new processing units and the enlargement of four existing units in the Torrance refinery.

Scheduled to be finished in 1968, the Beaumont modernization will enable our largest refinery to increase its output of gasoline and other high-quality products while substantially reducing the cost of manufacturing these products. Crude oil capacity will be increased by 55,000 barrels a day; gasoline-producing capacity will be increased substantially.

Four new processing units will refine crude oil at lower cost than has been possible in the past. Other innovations include a 55,000-barrel-a-day expansion of the refinery's gas plant, used for processing liquids derived from natural gas; a new treating unit for kerosine and heating oil; and greatly improved electronic instrumentation.

A new Technical Computer Center, serving our entire U. S. refining system, was installed in Beaumont in 1966. The Computer Center enables us to evaluate refining data from many sources, integrate all refinery control functions, and apply advanced techniques of day-to-day refinery management.

Torrance Modernization

The expansion of the Torrance refinery, begun in 1965, is nearing completion. Several new units began operation in late 1966; all others will begin operating in 1967.

The renovated refinery, with an initial capacity of 100,000 barrels a day, will allow increased yields of higher-value products at lower costs. The Torrance project will strengthen Mobil's competitive posture on the West Coast, our fastest-growing market in the United States.

A new alkylation unit installed in 1966 at the Ferndale, Wash., refinery, is producing some 3,000 barrels a day of alkylate, a high-octane ingredient of aviation and automotive gasolines. At the Paulsboro, N. J., refinery, work was completed on a massive port and terminal expansion.

Announcement was made during 1966 of the forthcoming closing of two refineries—those in Buffalo, N. Y., and East St. Louis, Ill. Each will be converted to a product terminal. Process operations at the Casper, Wyo., refinery were terminated in December, 1966. Economic studies which led to our modernization program showed that refining operations at these locations could no longer be justified.

Refinery crude runs for Mobil's account set another record in 1966. Worldwide runs averaged 1,540,000 barrels a day, a 7.8% increase over the 1965 average.

Growth in the Free World overseas contributed greatly to this increase. In 1966 as in 1965, overseas runs accounted for more than half our worldwide total. The overseas average rose 11.5% to 844,000 barrels daily. In the United States, runs were 696,000 barrels a day. These amounts include crude processed at wholly owned and partly owned refineries, and under arrangements with other refiners.

In two fast-growing overseas markets—Western Europe and the Far East—significant expansion of capacity took place.

In Western Europe, construction began on a new 80,000-barrel-a-day refinery near Amsterdam, the Netherlands. Scheduled for completion in 1968, the refinery will manufacture fuel products for such North European markets as Denmark, Norway, Sweden, and the Benelux countries.

The Coryton, England, refinery raised its capacity from 47,000 to 65,000 barrels a day and announced plans for a further substantial increase by 1970.

The principal development in the Far East was the beginning of operations at Mobil's first wholly owned refinery in Southeast Asia, a 22,500-barrel-a-day facility in the Jurong area of Singapore. At the same time, a company in which Mobil has a half interest began construction of a 60,000-barrel-a-day refinery near Tokyo, Japan. Current plans call for the new facility, which will go into operation in 1968, to double its capacity by the early 1970's. Mobil has interests in Japanese refineries amounting to 115,600 barrels a day.

New crude distillation unit (opposite) increases capacity of our Coryton, England, refinery to 65,000 barrels a day. Major modernization under way at Torrance, Calif., refinery (next two pages) will increase efficiency, cut costs.

Why the refinery modernization program?

Mobil's major projects at the Torrance, Calif., and Beaumont, Tex., refineries are aimed at strengthening the company's competitive position by:

☐ Allowing us to produce more high-value products, such as gasoline, heating oil, and jet fuel.
☐ Reducing the amount of crude oil required to make needed products, hence improving our crude self-sufficiency ratio.
☐ Reducing maintenance costs.
☐ Allowing more efficient manpower utilization.
☐ Allowing wider use of computer controls.
☐ Reducing the cost of energy needed to operate the refineries.

Modernization also gives us an opportunity to install highly sophisticated anti-pollution equipment. Mobil's campaign to control emission of contaminants from all our U. S. refineries calls for expenditures of more than $12 million for pollution-control devices over the next five years—double the amount spent for this purpose during the previous five years. An additional $24 million will be spent in the 1967-71 period on anti-pollution equipment in our U. S. chemical plants, tankers, terminals, pipelines, and other company installations. We are also intensifying our research into the causes and control of air and water pollution.

Mobil

marketing

For Mobil marketers, who sell products in more than 100 countries around the Free World, 1966 was another year of accomplishment. During the year, they:

☐ Sold record volumes of products.

☐ Increased sales of fuels and lubricants to aviation, marine, and industrial customers.

☐ Expanded services for tourists.

☐ Introduced new products for motorists, industry, and home.

Mobil sold 1,579,000 barrels a day of products. This was 5.1 percent above 1965. Of this amount, 771,000 barrels daily were sold in the United States and Canada, and 808,000 barrels daily were sold in other countries.

Service Stations Upgraded

In a continuing drive to upgrade the average volume and profitability of service stations, Mobil built 255 new stations in the United States and closed 360 outmoded outlets. Mobil gasolines and lubricants can now be purchased from about 26,000 U. S. dealers and 21,000 in other countries.

During 1966, Mobil improved its service to shipowners and strengthened its position as a foremost international supplier of marine fuels and lubricants. Among the new terminals put into operation were one in southern Crete and one in Singapore—both on major shipping lanes. Mobil marine lubricants are now available at 470 ports, marine fuels at 306.

The performance and economy of Mobil Jet Oil II—a high-quality synthetic lubricant—won another 15 airline accounts, for a total of 36. Sales of jet fuels also rose sharply, as Mobil continued to increase sales to airlines overseas and moved more strongly into the U. S. aviation market. At year end, Mobil aviation products were sold at 738 locations—from international airports to upcountry airstrips—in 59 countries.

Our sales of industrial lubricants again increased more than the industry average in the United States. Mobil's MI/DAC system for total maintenance cost control won new customers on every continent. In the United States alone, our technical representatives helped industrial customers save more than $21 million in maintenance expenses in 1966.

Demand for LP-gas (liquefied petroleum gas) and other gas liquids continued its steady growth and Mobil's sales of these products rose accordingly. Gas liquids are used as feedstocks by Mobil Chemical Company; LP-gas is widely used throughout the world for cooking and heating.

Around the world, Mobil now offers many travel services to the motorized tourist. Among them:

☐ The seven-volume *Mobil Travel Guide,* which has become the world's best-selling guide (more than a million copies in 1966). The *Travel Guide* rates more than 21,000 hotels, motels, resorts, and restaurants in 48 states.

☐ Up-to-date road maps to guide the motorist, whether he is driving to Wichita on the Kansas Turnpike or to Vienna on the Autobahn. During 1966, more than 15 million maps were given to motorists in the United States alone.

☐ Travel Information Centers at service stations along major U.S. highways. Travel literature, distance charts, local street maps, and state road maps are distributed at the centers.

☐ Receptionists at several international borders in Europe, to give motorists a friendly welcome, information, and maps.

☐ The Mobil credit card in the United States. At some 1,400 locations coast-to-coast, six chains of motels now honor the Mobil card. Cars may be rented with the Mobil credit card at 3,000 Hertz agencies in the United States and Puerto Rico.

During 1966 Mobil built three experimental service stations (see photograph at left) designed to be profitable places of business while contributing to the beautification of our highways. Initial performance of the first three stations has been encouraging; we plan to build another 55 during 1967. The stations were created by Eliot Noyes, noted industrial designer and architect. A distinctive circular theme is established by the cylindrical pumps, the Flying Red Horse in its white disc, and the red "O" in the Mobil sign, as well as by the circular canopies used at many locations.

The distinctive new Mobil graphics—featuring the now-famous red "O"—are seen on road maps, publications, and advertising throughout the Free World. A unified "look" identifies more than 1,000 product packages (such as the Mobiloil can). Identification signs have been changed at about one-third of the Mobil service stations in the United States, and at nearly all Mobil stations in the United Kingdom and Australia. Conversion is now under way in many other countries.

New Mobil Products

During 1966, a number of new and improved Mobil products went from research laboratory to market. Among them:

☐ A triple-function gasoline additive that keeps carburetors cleaner, guards against rust, and reduces cold-weather stalling. The new additive does a better job for our customers than the three additives it replaces, at lower cost to the company.

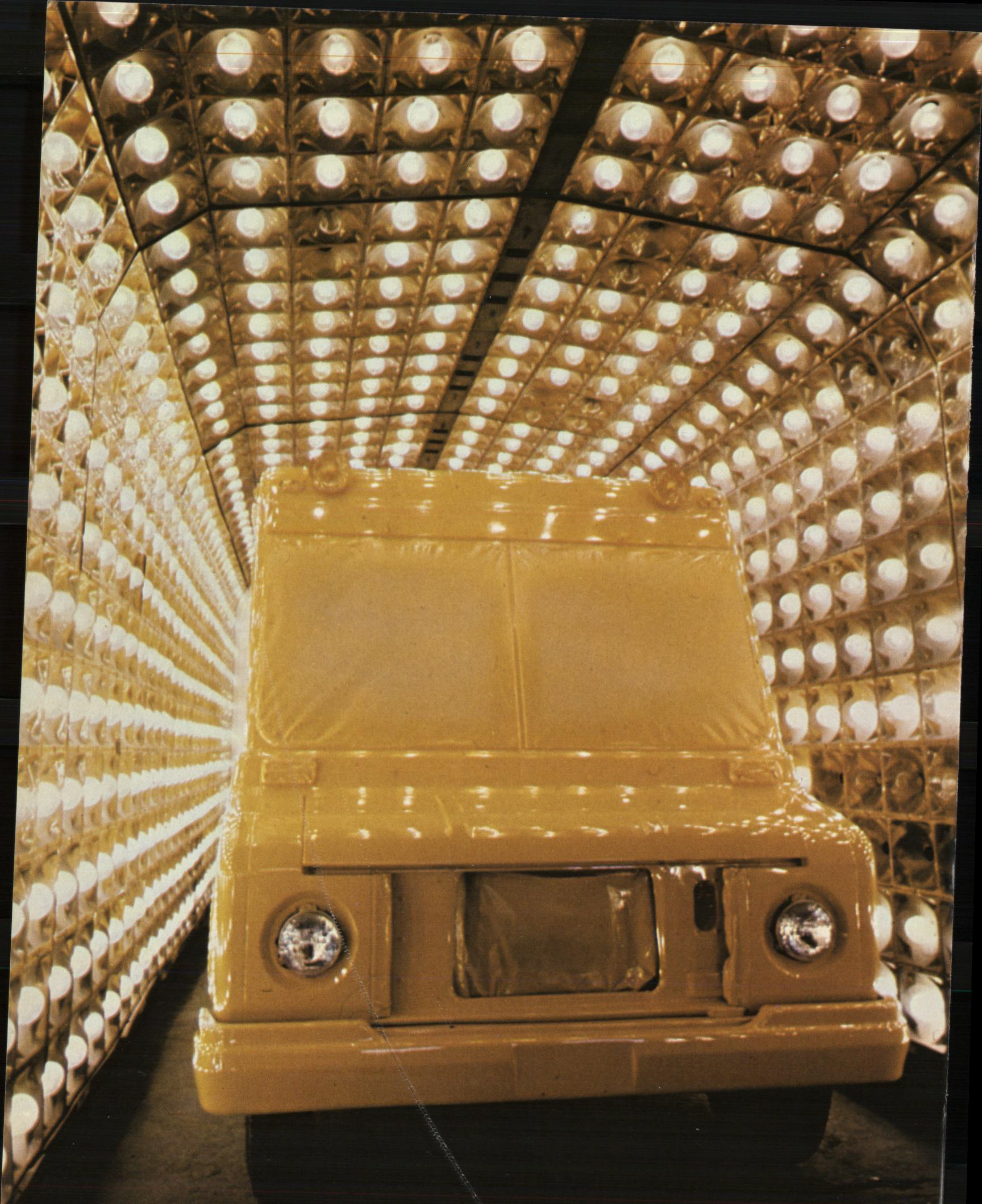
☐ Mobiloil Super SAE 10W-40, introduced in Europe during the year. Tailored to the needs of the European motorist, it retains its quick-flowing properties at low temperatures, for easy starts in the winter. It also resists thinning out at high temperatures, for less oil consumption and better protection.

☐ Three new lubricating oils in the Mobilgard line, for marine and railroad diesel engines.

☐ An improved oil burner for homes. Aimed at the replacement-burner market in the United States, the new unit can achieve outstanding efficiency (80 to 85%).

☐ A premium auto tire, the "Golden Circle." It represents major advances in performance, comfort, and safety. The new tire has a body of polyester fabric, and is 70% stronger than the average original-equipment tire.

Designed for beauty as well as profitability, this experimental service station is one of three erected in 1966; 55 more are planned for 1967.



chemicals

Mobil Chemical achieved record sales during 1966. We also started up major new chemical production facilities and introduced a variety of new products. Additional expenses in connection with these new facilities and products held down chemical earnings.

A new facility capable of making up to 150 million pounds a year of high-purity terephthalic acid (TPA) began operation in Beaumont, Tex. The unit uses a unique purification process, developed by Mobil Chemical scientists, to produce virtually 100%-pure TPA. This chemical permits more economical production of polyester fibers used in a variety of products, including wrinkle-resistant durable-press clothing.

In petrochemicals, record production was achieved by the ethylene and aromatics plants at Beaumont. The petrochemical complex of Mobil Chimica Italiana, S.p.A. at Naples, Italy, expanded its capacity for making para-xylene, a basic chemical used in making synthetic fiber intermediates.

"Hefty" Bags Introduced

Mobil Chemical introduced a new nationally distributed and advertised consumer product—*Hefty* plastic bags for home food storage. Sold mainly through supermarkets, *Hefty* is a heavy-quilted, double-wall plastic bag designed to preserve the freshness and flavor of everyday freezables and leftovers.

Sales of plastics products increased by 30% as three new plants entered full production: polystyrene foam facilities at Bakersfield, Calif., and Frankfort, Ill., and a plastics film products plant at Covington, Ga. New production facilities were added at four other plastics plants. At Covington, a fourth foam products plant will start operations this spring.

Already a major supplier of meat trays and other container products, Mobil Chemical developed a new produce tray and a new egg carton made of rigid plastic foam for nationwide distribution in 1967.

Paints and Finishes

In major chemical coatings markets, Mobil Chemical strengthened its position as a leader in providing paints and finishes for wood products, coils, and appliances, as well as for maintenance, marine, and packaging uses. To serve the packaging field, construction was begun in Pittsburgh, Pa. on a laboratory for developing and testing products. To serve the automobile industry, where Mobil products are used in electro-coating vehicle bodies, a modern technical service and style center is nearing completion in the Detroit area. A new plant to make resins for coatings was completed in Toronto.

Mobil Chemical's position in agricultural chemicals will be strengthened when a new phosphate mine in Florida is completed early in 1967. Our capacity for mining phosphate rock will then be 4.4 million tons a year—70% over what it was two-and-one-half years ago when the program aimed at the expansion of our phosphate operations there got under way.

Construction delays occurred at our new nitrogen plant in Beaumont. Originally scheduled for completion in 1966, this facility will now begin operating this spring. A major terminal to facilitate distribution of nitrogenous fertilizers to the midwest farm belt has begun operation at Meredosia, Ill.

In industrial chemicals, Mobil developed a flame-retarding chemical expected to open a new market for rigid urethane foam used as an insulation material. The new product enables rigid foam to meet the severe requirements of a nationally recognized flammability test.

The industrial chemicals group also tripled its capacity in trimethyl phosphite, a chemical used primarily in pesticides and as a stabilizer for fibers and resins.

Mobil Chemical Research Progress

Scientists of Mobil Chemical's research and development organization, working principally in laboratories at Edison Township, N. J., Macedon, N. Y., Richmond, Va., Cleveland, O., and Beaumont, Tex., reported such accomplishments as these in 1966:

☐ A unique process for making polyester resins directly from terephthalic acid.

☐ Significant breakthroughs toward the commercialization of a new packaging film and a new plastic film coating system.

☐ Process improvements in the electrocoating of fabricated metal, with particular application to primer systems for automobile bodies.

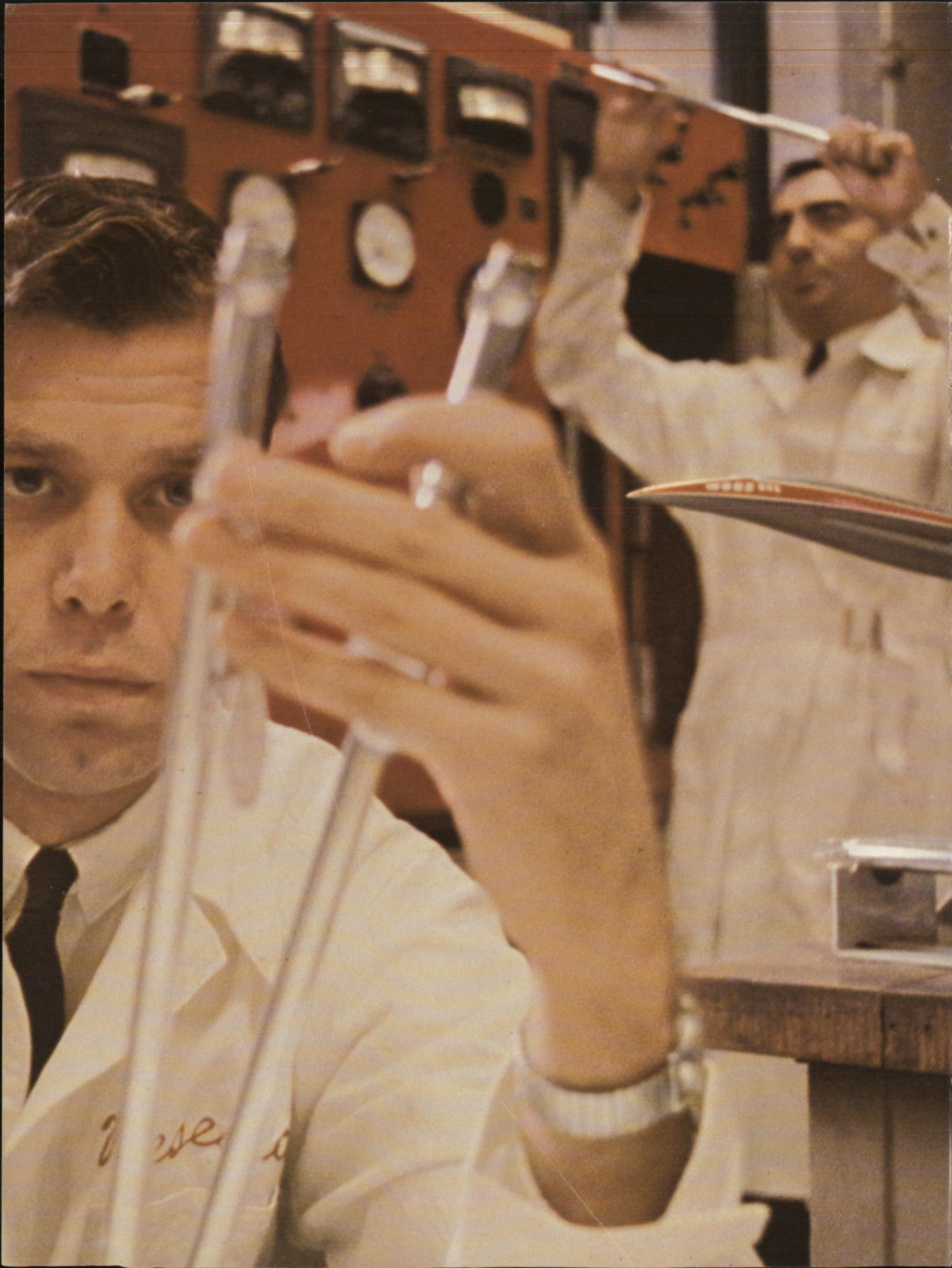
☐ Superior coatings for business machines.

☐ The discovery of two new classes of organophosphorus compounds which could lead to advances in insecticides and herbicides.

☐ A broad-spectrum insecticide extraordinary both for its low toxicity to mammals and effectiveness against a wide variety of pests.

The company's chemical research effort was also furthered by establishment of a semi-commercial plant in Beaumont to produce resins used in the manufacture of foams, wire coatings, floor tile, and other products.

Automotive coating developed and manufactured by Mobil Chemical is "baked on" to truck at International Harvester plant.



research

Mobil scientists and engineers are broadening their efforts to advance the complex technologies of finding and producing petroleum, and of manufacturing petroleum products and chemicals.

Mobil and North American Aviation, Inc., will work together to develop equipment and techniques for producing oil and gas on the ocean floor. The techniques are particularly applicable in deeper water, where it is not feasible to produce from platforms. North American Aviation has made significant contributions to ocean engineering and research. This venture will combine North American's systems development skills with Mobil's expert knowledge of offshore exploration and producing.

Oil from Shale

To determine the economic potential of non-conventional petroleum reserves, the first stage of a six-company experimental program to recover oil from oil shale was successfully completed at Rifle, Colo. The second stage, involving the test of larger equipment and further development of techniques for mining, crushing, and retorting, is due for completion late in 1967. Mobil continues as project manager.

Mobil is also studying methods for heating oil shale by underground burning. The liquid oil so formed could be produced from wells, thus eliminating the mining and crushing steps. With this method, known as *in-situ* retorting, it may be possible to develop deeper, less accessible oil shale deposits economically.

Mobil has solved the problem of "water noise" that hampers offshore seismic work. The low-frequency sound waves used in locating potential oil traps in the earth's crust are complicated by echoes in the water layer as they return to the sea surface. Our geophysicists discovered a way to filter out these echoes efficiently.

A technique that the corporation's scientists advanced for remote analysis of rocks in the search for oil may, through a research contract with the National Aeronautics and Space Administration, provide clues to the composition of the surfaces of the moon and planets. The technique involves bombarding these bodies with neutrons and studying the resultant radiation. Characteristics of this radiation provide information on the chemical composition of the surface.

Products Research

Thirty-one new or improved lubricants were made ready for the marketplace in 1966. Among them are high-performance oils formulated to protect the closed-crankcase engines now being installed in automobiles as a measure to reduce air pollution. Several of these new high-quality lubricants are now being marketed in the United States and overseas.

Tree-Heet, Mobil's novel petroleum brick used to protect fruit trees, row crops, and ornamentals against killing freeze, was improved in 1966. The new version gives quicker heat release and less smoke, and is now available in six-hour, as well as four-hour, protection units. This past winter, the product was introduced in Florida and on the West Coast.

Petroleum Refining Research

Mobil maintains its position as a leader in catalysis research. We developed an improved catalyst expected to produce excellent gasoline yields while promoting the efficiency of our new hydrocracking units. In laboratory tests, the catalyst maintains its activity over long periods with charge stocks difficult to convert through conventional processing.

In the distinguished Durabead family of zeolite cracking catalysts, Durabead 7 is being used in several Mobil units after passing its commercial tests. The newest version, Durabead 8, is being tested for high-octane gasoline production. It should permit more effective catalyst activity in commercial cracking units at appreciably lower costs.

With process optimization as the research goal, we installed a large computer and advanced instrumentation to control the Thermofor Catalytic Cracking (TCC) unit at our Paulsboro, N. J., refinery. As a result, it has become possible to increase the total value of products made by this major unit and decrease the cost of operating it.

Fundamental Research

About one of every ten of our scientists does fundamental research. The goal of these basic studies is new understanding of the sciences that are important to Mobil's present and future profitability. Among the results in 1966:

☐ A breakthrough in understanding how catalyst structure and method of preparation can be manipulated to control molecular changes in the processing of petroleum and petrochemicals.

☐ A new approach in oxidation protection that doubles the life of Mobil Jet Oil II in laboratory high-temperature tests.

☐ A new theory of friction and wear processes that may be utilized in the future in producing improved lubricants and designing higher performance machinery.

☐ A new method for mapping the density of plasmas. Mobil's achievement, sponsored in part by the U. S. Air Force, will help provide answers to basic questions about how plasmas behave and how they may be harnessed as energy sources.

Mobil research scientists in Paulsboro, N. J., laboratory test new jet fuels formulated for use in supersonic transport planes.

'We want you to live'

An advertising campaign launched by Mobil during 1966 has attracted attention in the press, brought in thousands of letters of praise, and performed a public service. The campaign is aimed directly at one of the most difficult problems of the twentieth century: the ever-increasing death toll on the nation's highways.

The campaign opened in newspapers in the United States during January, and soon expanded to television. Mobil companies in Portugal and Australia also mounted safe-driving campaigns during the year, and several other affiliates are joining the effort during 1967.

Excellent Public Response

Public response in all countries was highly favorable. Many newspapers and magazines have published editorial comments, and a number have published photographs.

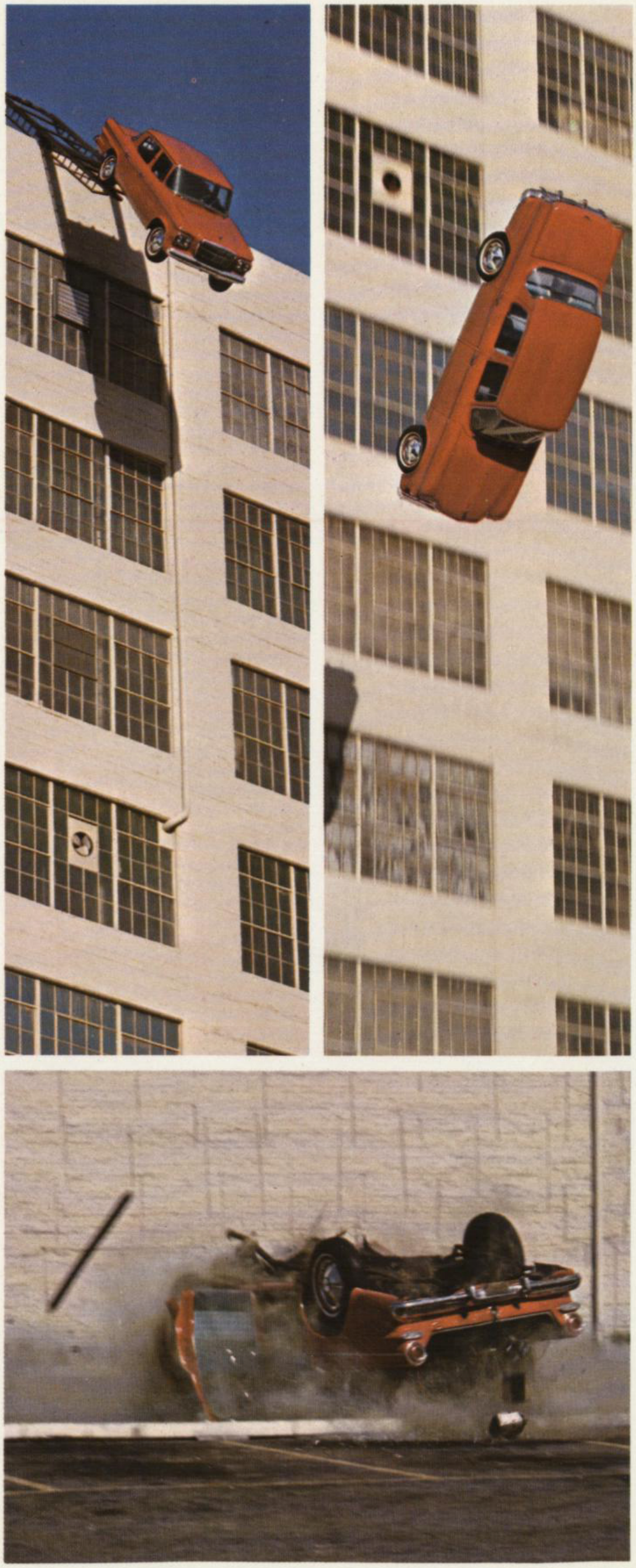
The remarkable pictures on this page were taken for *TV Guide* magazine, during the filming of a television commercial for the "We want you to live" campaign in the United States. A car was lifted by helicopter to the top of a 10-story building, then rolled off. The drop—and the crash—was a dramatic portrayal of what happens to a car going 60 miles an hour when it hits a stationary object. Similar photos were featured in *Life* magazine, in metropolitan newspapers, and in many other publications.

By the end of 1966, more than 11,000 Americans had taken the time to write letters to the company. Some letters were from state governors, federal officials, and safety experts—but most were from average motorists who share the national concern over highway safety.

Australian Advertising Campaign

Mobil Oil Australia, in a newspaper and television campaign cited as "best of the year" by several organizations, invited motorists to "Join the Circle of Safety with Mobil."

With such titles as "Five Swinging Ideas for Old Tyres," the Australian ads were directed to younger drivers. They also were aimed at increasing sales. One letter summed up the public reaction with this brief citation: "For courage beyond the call of profit, you are hereby awarded one new customer."



This is what happens when a car traveling at 60 miles an hour hits a stationary object, as shown in pictures taken for a "We want you to live" television commercial.

5-year financial and operating data

Financial *(in thousands of dollars except per-share data)*	1966	1965	1964	1963	1962
Revenues	5,886,515	5,517,426	5,078,641	4,914,566	4,445,987
Net income	356,112	320,116	294,160	271,852	242,339
Per share *(based on average shares outstanding)*	3.51	3.15	2.89	2.72	2.49
Cash dividends	167,346	154,853	141,104	126,845	114,392
Per share	1.65	1.52½	1.40	1.30	1.17½
Capital and exploration outlays	682,214	557,345	460,207	396,640	453,854
Current assets	2,084,271	2,037,721	1,908,827	1,883,725	1,489,811
Current liabilities	1,251,705	1,107,414	967,658	902,418	775,474
Working capital	832,566	930,307	941,169	981,307	714,337
Net properties, plants, and equipment	2,878,046	2,645,204	2,492,867	2,349,033	2,253,124
Long-term debt	421,917	448,408	419,140	428,159	228,179
Shareholders' equity	3,660,984	3,483,510	3,324,729	3,156,558	2,963,971
Per share *(based on shares outstanding at end of year)*	36.12	34.30	32.71	31.57	30.41

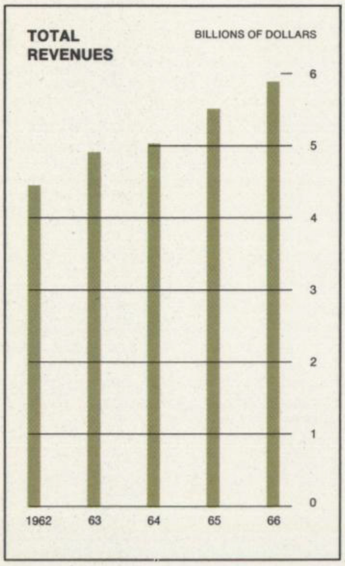
Shareholders and Employees *(end of year)*	1966	1965	1964	1963	1962
Number of shareholders	210,300	206,900	211,000	212,200	218,900
Number of shares outstanding	101,358,000	101,548,000	101,649,000	100,000,000	97,458,000
Number of employees	80,900	80,600	80,000	79,700	74,900

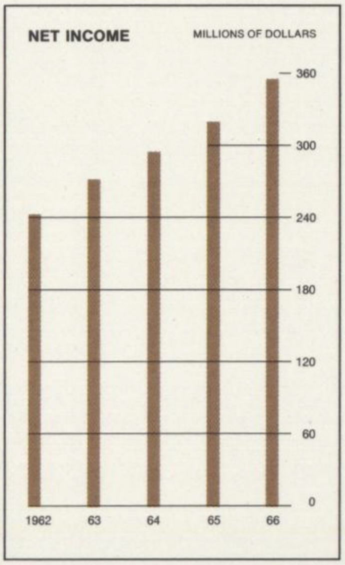
Operating *(barrels daily, except natural gas)*	1966	1965	1964	1963	1962
Gross crude oil production—worldwide	1,318,000	1,165,000	1,037,000	935,000	872,000
U.S. and Canada	365,000	327,000	308,000	295,000	287,000
All other countries	953,000	838,000	729,000	640,000	585,000
Natural gas liquids production—worldwide	49,000	46,000	39,000	36,000	29,000
Natural gas production—worldwide *(thousands of cubic feet daily)*	2,181,000	1,993,000	1,924,000	1,588,000	1,433,000
Refinery crude runs—worldwide	1,540,000	1,429,000	1,345,000	1,228,000	1,141,000
United States	696,000	672,000	669,000	646,000	616,000
All other countries	844,000	757,000	676,000	582,000	525,000
Petroleum product sales—worldwide	1,579,000	1,503,000	1,404,000	1,328,000	1,246,000
U.S. and Canada	771,000	760,000	731,000	711,000	671,000
All other countries	808,000	743,000	673,000	617,000	575,000

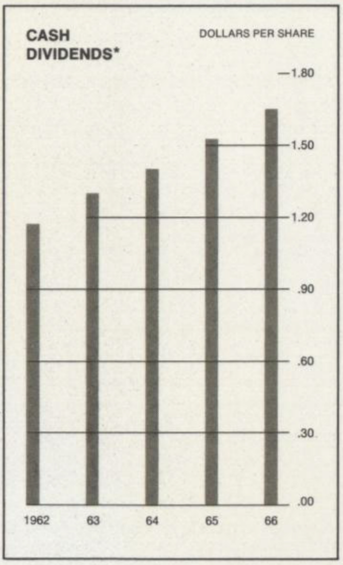
The financial data have been adjusted to reflect the two-for-one stock split in 1966. The financial and operating data give effect to the poolings of interests with Virginia-Carolina Chemical Corporation in 1963 and Northern Natural Gas Producing Company in 1964. Operating statistics include the corporation's interest in the operations of non-consolidated companies. Refinery crude runs include approximately 10% processed by others under processing or crude-sale/product-purchase agreements.

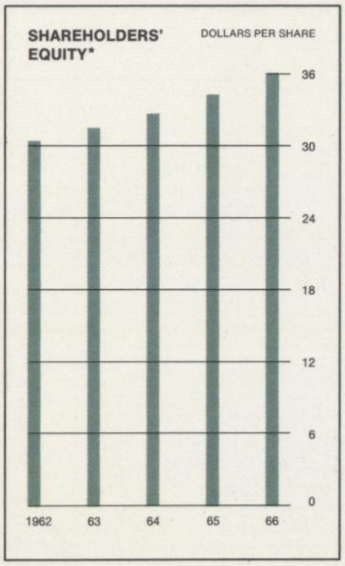
Detailed data on the corporation, and a statement of its major accounting policies, are contained in a separate report, Financial and Operating Statistics 1966. Copies may be obtained from the Secretary, Room 2500, Mobil Oil Corporation, 150 East 42nd Street, New York, N.Y. 10017.

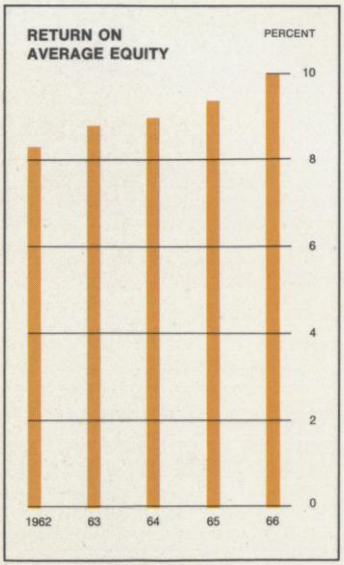
financial review

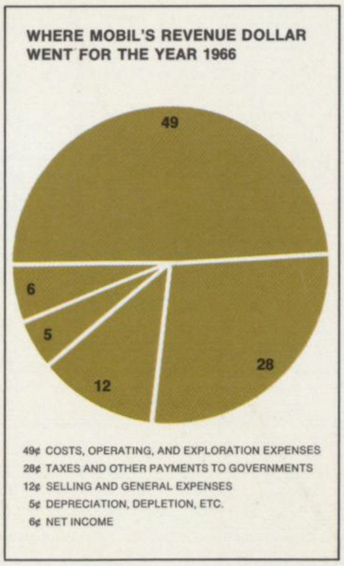












*RESTATED TO REFLECT TWO-FOR-ONE STOCK SPLIT.

Record Earnings and Dividends

In 1966, Mobil's consolidated net income reached a record $356.1 million, up 11.2% over the previous record of $320.1 million in 1965. Per-share earnings, as restated to reflect the two-for-one stock split approved by the shareholders in May, 1966, rose from $3.15 in 1965 to a new high of $3.51, based on the average number of shares outstanding during each year—101,535,796 in 1965 and 101,416,743 in 1966.

The corporation increased its quarterly dividend payment twice during the year. The dividend was raised from 35 cents to 40 cents per share in the first quarter, and from 40 cents to 45 cents per share in the fourth quarter. Record dividends of $167.3 million, or $1.65 a share, were paid to shareholders in 1966. The 1966 payout was $12.4 million over 1965, when shareholders received $154.9 million, or $1.52½ a share on the restated basis.

Shareholders' Equity

Shareholders' equity rose from $34.30 per share in 1965 to $36.12 in 1966, an increase of $1.82 per share. The rate of return on average shareholders' equity was 10%, compared with 9.4% in 1965.

Capital and Exploration Outlays

The 1966 capital and exploration programs resulted in a record outlay of $682 million, 22.4% higher than the $557 million expended in 1965.

Below is a summary of capital and exploration outlays:

	1966			1965
	U.S. and Canada	Other Countries	Total	Total
		(In millions)		
Capital expenditures				
Producing	$164	$ 29	$193	$167
Refining	108	38	146	67
Chemicals	88	4	92	66
Marketing	53	77	130	116
Marine	4	2	6	23
Other	13	6	19	23
	430	156	586	462
Exploration expenses				
including non-productive wells	70	26	96	95
	$500	$182	$682	$557

Exploration and producing outlays included lease purchases in Texas and offshore Louisiana; expansion of production facilities in Libya; extensive drilling activity in Alaska, California, Canada, Nigeria, and Libya; and improvements in gas-processing facilities in West Texas and Canada.

The substantial increase in refining expenditures was due primarily to the refinery modernization program in the United States, as well as modernization and expansion of capacity overseas.

The rise in chemical expenditures reflected such new facilities as the nitrogen fertilizer complex and the terephthalic acid plant, both in Beaumont, Tex., and an expansion of phosphate mining facilities in Florida.

A continuing service station construction and modernization program in the United States, Europe, and the Far East accounted for much of the rise in marketing expenditures.

Taxes and Other Payments to Governments

Taxes and other payments to federal, state, and local governments in the United States and abroad amounted to $1,644 million in 1966, an increase of $133 million over the 1965 total of $1,511 million.

	1966	1965
	(In millions)	
Excise and state gasoline taxes	$ 517	$ 504
Import duties	810	717
Income taxes–United States and other countries	199	188
Property, production, payroll, and other taxes	118	102
	$1,644	$1,511

Inventories

Inventories are valued at cost, which was lower than their aggregate market value at December 31, 1966. Substantially all domestic inventories of crude oil and petroleum products—representing about 38% of the worldwide total of all inventories at December 31, 1966—are valued under the last-in, first-out method. All other inventories are valued at average cost.

Investments and Long-Term Receivables

Mobil's equity in the net assets of non-consolidated companies (owned 50% or less) is substantially greater than its investments (less reserves). Dividends received from such companies during 1966 amounted to $82 million, or $4 million less than the corporation's equity in the net income of these companies. Reserves applicable to investments and long-term receivables amounted to $108 million at the end of 1966.

Incentive Compensation Plan

The corporation has an incentive compensation plan which was approved by shareholders in May, 1966. Subsequently, the board of directors added a provision that, if the plan is not terminated earlier, it must be resubmitted for shareholder approval at the Annual Meeting not later than 1971. The plan provides for annual charges to income in amounts not greater than 6% of the amount by which net income, as defined in the plan, exceeds an amount equal to 6% of capital investment as defined in the plan. Awards made in 1967, for which a provision was made against 1966 earnings, amounted to $2 million, substantially less than the plan permits. Annual awards are payable in cash, stock, stock equivalents, or any combination thereof; they are payable in full at the time of award, or on a deferred basis. The aggregate annual awards to all eligible members of the board of directors may not exceed 20% of the total annual awards, and no awards may be granted for any year in which no dividends are paid to shareholders.

Stock Option Plans

Under the Stock Option Plan adopted in 1965, options may be granted to key employees to purchase a maximum of 600,000 shares of capital stock. No additional options may be granted under the 1960 plan, which terminated in 1965. The terms and conditions of the plans are substantially the same. Each option granted, at 100% of the fair market value of such stock at the time the option is awarded, runs for not more than 10 years in the case of "restricted" options granted prior to January 1, 1964, and five years for "qualified" options granted thereafter; they may be exercised in equal annual installments after the first year. After giving effect to the two-for-one stock split, transactions during 1966 under the 1960 and 1965 plans are summarized below:

	1965 Plan		1960 Plan
	Shares Under Option	Shares Available for Option	Shares Under Option
January 1, 1966	—	600,000	686,238
Options granted at $45.50	333,400	(333,400)	—
Options surrendered or cancelled	(3,500)	3,500	(25,478)
Options exercised at an average price of $22.53	—	—	(79,406)
December 31, 1966	329,900	270,100	581,354
Options exercisable December 31, 1966 at an average price of $30.66	—	—	176,484

Employee Benefit Plans

Mobil's employee benefit program in the United States provides contributory pensions, group life insurance, and savings plans, as well as several supplementary benefit plans covering such contingencies as sickness and accidents. Some of these plans are insured, some self-administered. In addition, outside the United States, our foreign affiliates provide other pension and insurance programs.

It is the corporation's policy to fund the expense it accrues for various employee benefit plans through insurance or by payments to trust funds; the only exceptions are self-administered plans and certain foreign plans provided for in the "Reserves for Insurance and Employee Benefits."

Commitments and Contingent Liabilities

At December 31, 1966, minimum annual rentals of about $54 million were payable on noncancellable leases expiring more than three years from that date, covering such properties as tankers, service stations, and office buildings. Annual rental income from all such properties subleased to others is estimated to be $12 million. The corporation also made substantial commitments, in the normal course of business, for the acquisition or construction of properties, plants, and equipment.

The corporation has guaranteed obligations of others approximating $44 million, excluding certain cross-guarantees (about $29 million) with other responsible companies in respect of foreign customs duties in the ordinary course of business. In addition, the corporation has guaranteed specified revenues from crude and products shipments under agreements with pipeline companies in which it holds stock interests. In the event these companies are unable to meet certain obligations, Mobil may be required to advance funds against future transportation charges. No material loss is anticipated by reason of these guarantees.

The corporation's general counsel is of the opinion that there are no claims or lawsuits against the corporation not already provided for that are likely to result in ultimate liabilities of material importance in relation to the corporation's accounts.

Capital Stock

On May 17, 1966, the shareholders voted a two-for-one stock split and to increase the number of shares authorized from 75,000,000 to 150,000,000, and to reduce the par value of the shares from $15.00 to $7.50.

At December 31, 1966, a total of 102,230,862 shares of $7.50 par value had been issued, including 872,903 shares held in the treasury. Shares outstanding at year-end totaled 101,357,959, a decrease of 189,809 during 1966, resulting from increased shares held in the treasury, offset in part by new shares issued under the stock option plans.

Capital Surplus

Changes in capital surplus were as follows:

	1966	1965
January 1	$637,377,000	$636,528,000
Excess of proceeds over par value of shares issued under the Stock Option Plans	1,193,000	1,209,000
Miscellaneous	(1,452,000)	(360,000)
December 31	$637,118,000	$637,377,000

Principles of Consolidation

Accounts of all domestic and foreign subsidiaries more than 50% owned are included in the consolidated financial statements. Items recorded in foreign currencies are expressed in U.S. dollars at appropriate rates of exchange.

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report of certified public accountants

Board of Directors and Shareholders
Mobil Oil Corporation

We have examined the accompanying consolidated balance sheet of Mobil Oil Corporation at December 31, 1966 and the related consolidated statements of income and earnings retained in the business and the consolidated statement of source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Mobil Oil Corporation at December 31, 1966 and the consolidated results of operations and the source and use of consolidated funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Arthur Young & Company

New York, N. Y.
March 3, 1967

financial statements

consolidated statement of income

Mobil Oil Corporation

	1966	year ended December 31 1965
Revenues		
Sales and services (including excise and state gasoline taxes: 1966–$516,701,000; 1965–$504,306,000)	$5,770,610,000	$5,411,810,000
Dividends and interest	115,905,000	105,616,000
	5,886,515,000	5,517,426,000
Costs and Expenses		
Crude oil, products, materials, and operating expenses	2,764,054,000	2,628,991,000
Exploration expenses, including non-productive wells	96,457,000	94,840,000
Selling and general expenses	691,164,000	648,782,000
Depreciation, depletion, and amortization	301,731,000	282,455,000
Interest and debt discount expense	32,721,000	30,887,000
Taxes and other payments to governments	1,644,276,000	1,511,355,000
	5,530,403,000	5,197,310,000
Net Income	$ 356,112,000	$ 320,116,000

Net Income Per Share	$3.51	$3.15

consolidated statement of earnings retained in the business

	1966	year ended December 31 1965
Earnings Retained in the Business–Beginning of Year	$2,103,075,000	$1,937,812,000
Net income	356,112,000	320,116,000
Cash dividends paid	(167,346,000)	(154,853,000)
Earnings Retained in the Business– End of Year	$2,291,841,000	$2,103,075,000

See Financial Review on pages 22-24 and statements on page 28.

consolidated balance sheet at december 31

Assets	1966	1965
Current Assets		
Cash	$ 179,107,000	$ 166,004,000
Marketable securities, at amortized cost (approximating market)	280,359,000	447,652,000
Accounts and notes receivable (less estimated doubtful accounts)	979,553,000	828,852,000
Inventories:		
Crude oil and products	583,778,000	534,238,000
Materials and supplies	61,474,000	60,975,000
Total Current Assets	2,084,271,000	2,037,721,000
Investments and Long-Term Receivables (at cost less reserves)	464,299,000	455,852,000
Properties, Plants, and Equipment (at cost)		
Producing	2,363,592,000	2,270,406,000
Refining	1,271,392,000	1,140,827,000
Chemicals	378,766,000	289,041,000
Marketing	1,257,764,000	1,153,364,000
Marine	291,050,000	293,870,000
Pipelines	274,279,000	267,242,000
Other	86,460,000	82,481,000
	5,923,303,000	5,497,231,000
Less accumulated depreciation, depletion, and amortization	3,045,257,000	2,852,027,000
Net Properties, Plants, and Equipment	2,878,046,000	2,645,204,000
Prepaid and Deferred Charges	84,895,000	73,603,000
Total	$5,511,511,000	$5,212,380,000

See Financial Review on pages 22-24 and statements on page 28.

Liabilities and Shareholders' Equity	1966	1965
Current Liabilities		
Accounts and notes payable and accrued liabilities	$ 803,795,000	$ 703,701,000
Income, excise, state gasoline, and other taxes payable	415,377,000	388,285,000
Long-term debt maturing within one year	32,533,000	15,428,000
Total Current Liabilities	1,251,705,000	1,107,414,000
Long-Term Debt		
4¼ % debentures due 1993 (less in treasury: 1966–$15,349,000; 1965–$8,075,000)	184,651,000	191,925,000
Thirty Year 2½ % debentures due June 1, 1976 (less in treasury, including sinking fund requirements: 1966–$16,316,000; 1965–$18,036,000)	56,684,000	56,964,000
Term notes payable (4⅛ % due July 1, 1979-1988)	60,000,000	60,000,000
Other (principally 4% to 5¾ %–due 1968-1985)	120,582,000	139,519,000
Total Long-Term Debt	421,917,000	448,408,000
Deferred Credits	25,848,000	20,415,000
Reserves for Insurance and Employee Benefits	135,976,000	138,408,000
Minority Interest in Subsidiary Companies	15,081,000	14,225,000
Shareholders' Equity		
Capital stock	766,731,000	766,136,000
Capital surplus	637,118,000	637,377,000
Earnings retained in the business	2,291,841,000	2,103,075,000
	3,695,690,000	3,506,588,000
Less capital stock held in treasury (at cost)	34,706,000	23,078,000
Total Shareholders' Equity	3,660,984,000	3,483,510,000
Total	$5,511,511,000	$5,212,380,000

consolidated statement of source and use of funds

Mobil Oil Corporation

year ended December 31	1966	1965
Funds Were Made Available From		
Net income	$356,112,000	$320,116,000
Depreciation, depletion, and amortization	301,731,000	282,455,000
Sales of properties, plants, and equipment	40,655,000	45,173,000
Long-term debt increases	13,096,000	53,977,000
Working capital decrease	97,741,000	10,862,000
Other, net	11,284,000	9,372,000
Total	$820,619,000	$721,955,000
Funds Were Used For		
Capital expenditures	$585,757,000	$462,504,000
Investments and long-term receivables	16,301,000	71,897,000
Long-term debt reductions	39,587,000	24,709,000
Cash dividends	167,346,000	154,853,000
Net purchases of treasury stock	11,628,000	7,992,000
Total	$820,619,000	$721,955,000

distribution of income and shareholders' equity

	1966		1965	
	Total	Per Share	Total	Per Share
Net Income (year ended December 31)				
United States	$ 171,235,000	$ 1.69	$ 152,537,000	$ 1.50
Other Western Hemisphere	30,148,000	.30	27,523,000	.27
	201,383,000	1.99	180,060,000	1.77
Eastern Hemisphere	154,729,000	1.52	140,056,000	1.38
Total	$ 356,112,000	$ 3.51	$ 320,116,000	$ 3.15
Shareholders' Equity (end of year)				
United States	$2,071,525,000	$20.44	$1,977,142,000	$19.47
Other Western Hemisphere	282,720,000	2.79	249,337,000	2.45
	2,354,245,000	23.23	2,226,479,000	21.92
Eastern Hemisphere	1,306,739,000	12.89	1,257,031,000	12.38
Total	$3,660,984,000	$36.12	$3,483,510,000	$34.30

Mobil Oil Corporation

A partial listing of its subsidiaries and affiliates/their activities and main areas of operations

Mobil Oil Corporation. *Exploration, producing, transportation, refining, chemical manufacturing, marketing, and research in the U. S. and worldwide.*

UNITED STATES

Mobil Chemical International Ltd. *Worldwide trading, exports of chemical products, management services.*

Mobil Pipe Line Company. *Pipeline transportation in the U. S.*

Mobil Sales and Supply Corporation. *International trading in crude oil and petroleum products.*

Northern Natural Gas Producing Company. *Exploration and producing in the U. S.*

CANADA

Mobil Marine Transportation Limited and Subsidiaries. *Worldwide marine transportation.*

Mobil Oil Canada, Ltd. *Exploration, producing, and marketing.*

South Saskatchewan Pipe Line Company (50%). *Pipeline transportation.*

LATIN AMERICA AND CARIBBEAN

Colombianos Distribuidores de Combustibles, S.A. (80.06%). *Marketing.*

Colombian Petroleum Company *and* South American Gulf Oil Company (50%). *Exploration, producing, refining, and pipeline transportation.*

Mobil AMI, S.A. *Manufacturing and marketing of chemical coatings in Colombia.*

Mobil Atlas S.A. de C.V. (90%). *Manufacturing and marketing of chemical coatings in Mexico.*

Mobil Oil Barbados Limited and Subsidiary. *Refining and marketing.*

Mobil Oil Caribe Inc. *Marketing in Puerto Rico.*

Mobil Oil Company del Ecuador. *Marketing.*

Mobil Oil Company del Peru. *Exploration.*

Mobil Oil Company de Venezuela. *Exploration, producing, transportation, refining, and marketing.*

Mobil Oil de Chile Limitada (50%). *Marketing.*

Mobil Oil del Peru (Compania Comercial). *Marketing.*

Mobil Oil de Mexico, Sociedad Anonima. *Marketing.*

Mobil Oil do Brasil (Industria e Comercio) Ltda. *Marketing.*

AFRICA

Central African Petroleum Refineries (Private) Limited (17.75%). *Refining in Rhodesia.*

Mobil Exploration Equatorial Africa Inc. *Exploration in Cameroun, producing in Gabon.*

Mobil Exploration Nigeria Inc. *Exploration.*

Mobil Oil Cameroun. *Marketing.*

Mobil Oil Congo S.C.R.L. (Kinshasa). *Marketing.*

Mobil Oil de Canarias, S.A. *Marketing.*

Mobil Oil de L'Afrique Equatoriale. *Marketing in Equatorial Africa.*

Mobil Oil de L'Afrique Occidentale. *Marketing in West Africa.*

Mobil Oil East Africa Limited. *Marketing in East Africa, Red Sea area.*

Mobil Oil Ghana Limited. *Marketing.*

Mobil Oil Kenya Limited. *Marketing.*

Mobil Oil Liberia Inc. *Marketing.*

Mobil Oil Libya Ltd. *Exploration and producing.*

Mobil Oil (Malawi) (Private) Limited. *Marketing.*

Mobil Oil Maroc. *Marketing in Morocco.*

Mobil Oil Nigeria Limited. *Marketing.*

Mobil Oil Nord-Africaine. *Marketing in Algeria.*

Mobil Oil Sierra Leone Limited. *Marketing in Sierra Leone and Gambia.*

Mobil Oil Southern Africa (Proprietary) Limited. *Marketing in South and Southwest Africa and Portuguese East Africa.*

Mobil Oil Southern Rhodesia (Private) Limited. *Marketing.*

Mobil Oil Sudan Limited. *Marketing.*

Mobil Oil Tanzania Inc. *Marketing.*

Mobil Oil Tunisia Inc. *Marketing.*

Mobil Oil Uganda Limited. *Marketing.*

Mobil Oil Zambia Limited. *Marketing.*

Mobil Petroleum Ethiopia Inc. *Exploration.*

Mobil Producing Sahara Inc. *Exploration and producing in Algeria.*

Mobil Producing Spain Inc. *Exploration in Spanish Africa.*

Mobil Refining Company Southern Africa (Proprietary) Limited. *Refining.*

EUROPE

ATAS-Anadolu Tasfiyehanesi Anonim Sirketi (56%). *Refining in Turkey.*

Mobil Chemie N.V. *Manufacturing of chemical coatings in the Netherlands, marketing in Europe.*

Mobil Chimica Italiana S.p.A. *Manufacturing and marketing of basic aromatic petrochemicals.*

Mobil Exploration Mediterranean Inc. *Exploration and producing in Turkey.*

Mobil North Sea Limited. *Offshore exploration, United Kingdom.*

Mobil Oil AB Sweden. *Marketing.*

Mobil Oil A/S Norge. *Marketing in Norway.*

Mobil Oil A.G. in Deutschland. *Exploration, producing, refining, marketing in West Germany, marine transportation.*

Mobil Oil Austria A.G. *Refining and marketing.*

Mobil Oil Company Limited and Subsidiaries. *Refining and marketing in United Kingdom and marketing in Eire.*

Mobil Oil Cyprus Limited. *Marketing.*

Mobil Oil Danmark A/S. *Marketing in Denmark, Greenland, and Faroe Islands.*

Mobil Oil de Espana S.A. *Marketing in Spain and the Balearic Islands.*

Mobil Oil Francaise and Subsidiaries. *Exploration and producing in Africa, refining in France, marketing in France and North and West Africa.*

Mobil Oil Hellas A.E. Petroleum Company. *Marketing in Greece.*

Mobil Oil Italiana S.p.A. *Refining and marketing.*

Mobiloil N. V. *Marketing in the Netherlands, Belgium, and Luxembourg.*

Mobil Oil OY AB. *Marketing in Finland.*

Mobil Oil Portuguesa S.A.R.L. *Marketing in Portugal, neighboring islands, and Portuguese Africa.*

Mobil Oil (Switzerland). *Marketing.*

Mobil Oil Turk A.S. *Marketing in Turkey.*

Mobil Producing Netherlands Inc. *Offshore exploration.*

Mobil Shipping Company Limited. *Worldwide marine transportation.*

MIDDLE AND FAR EAST

Abu Dhabi Petroleum Company Limited (11.875%). *Exploration and producing.*

Altona Petrochemical Company Proprietary Limited (50%). *Petrochemicals manufacturing in Australia.*

Arabian American Oil Company (10%). *Exploration, producing, and refining in Saudi Arabia.*

Bataan Refining Corporation (31%). *Refining in the Republic of the Philippines.*

Indian Oil Blending Limited (50%). *Blending of lubricating oils.*

Iraq Petroleum Company, Limited and Associated Companies (11.875%). *Exploration, producing, and transportation in Iraq, refining in Lebanon.*

Kyokuto Sekiyu Kogyo Kabushiki Kaisha (50%). *Refining in Japan.*

Mediterranean Refining Company (50%). *Refining in Lebanon.*

Mobil China Allied Chemical Industries Ltd. (35%). *Manufacturing and marketing of fertilizers in Taiwan.*

Mobil Oil Australia Limited and Affiliates. *Exploration and marketing in Australia, Papua, New Guinea, and Pacific Islands.*

Mobil Oil Egypt (S.A.A.). *Producing and marketing.*

Mobil Oil Hong Kong Limited. *Marketing in Hong Kong and Macau.*

Mobil Oil Iran Inc. *Owner of 7% interest in Iranian Consortium, a producer and refiner in Iran; purchases and sells Iranian crude oil and products.*

Mobil Oil Kuwait Limited. *Purchases and sales of crude oil.*

Mobil Oil Lebanon Inc. *Marketing in Middle East.*

Mobil Oil Malaya Limited. *Marketing.*

Mobil Oil New Zealand Limited. *Marketing in New Zealand and Cook and Society Islands.*

Mobil Oil Philippines Inc. *Marketing.*

Mobil Oil Thailand Limited. *Marketing.*

Mobil Petroleum Company Inc. and Affiliates. *Exploration, producing, transportation, refining, and marketing in the Pacific, Asia, and Africa.*

Mobil Refining Company Malaysia Limited. *Refining.*

Mobil Sekiyu Kabushiki Kaisha. *Marketing in Japan.*

Petroleum Refineries (Australia) Proprietary Limited (74%). *Refining.*

P.T. Stanvac Indonesia (50%). *Exploration, producing, and refining.*

Qatar Petroleum Company Limited (11.875%). *Exploration and producing.*

The New Zealand Refining Company Limited (19%). *Refining.*

Toa Nenryo Kogyo Kabushiki Kaisha and Subsidiaries (25%). *Refining and petrochemicals manufacturing in Japan.*

Trans-Arabian Pipe Line Company (10%). *Pipeline transportation from Saudi Arabia to Mediterranean terminal in Lebanon.*

At December 31, 1966, all companies were substantially wholly owned except where otherwise indicated by percentage of ownership shown in parentheses.

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